



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0284	Title:	Revise allocation of bed tax and taxes on rental cars
Primary Sponsor:	Moss, Lynda	Status:	As Amended in House Committee

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$3,543,345	\$3,716,547	\$3,898,479	\$4,089,599
State Special Revenue (HB 9 grants)	\$10,967	\$22,532	\$34,585	\$46,361
Revenue:				
General Fund	(\$3,741,241)	(\$3,924,471)	(\$4,116,935)	(\$4,319,120)
State Special Revenue	\$3,543,345	\$3,716,547	\$3,898,479	\$4,089,599
Other - Cultural Trust	\$197,896	\$207,924	\$218,456	\$229,521
Net Impact-General Fund Balance:	<u><u>(\$3,741,241)</u></u>	<u><u>(\$3,924,471)</u></u>	<u><u>(\$4,116,935)</u></u>	<u><u>(\$4,319,120)</u></u>

Description of fiscal impact: SB 284 as amended redirects a portion of the distribution of the accommodations sales tax and the rental car tax from the general fund to a number of tourism related programs.

FISCAL ANALYSIS

Assumptions:

- The HJR 2 estimate of collections for the 3% accommodations sales tax deposited in the general fund is \$11.881 million in FY 2008 and \$12.504 million in FY 2009. This fiscal note assumes that the 3% accommodation tax collections that are deposited in the general fund will continue to grow at the HJR 2 rate of 5.24% in FY 2009 for FY 2010 through FY 2011, resulting in collections of \$13.159 million in FY 2010 and \$13.848 million in FY 2011.

2. The HJR 2 estimate of rental car tax collections is \$3.00 million in FY 2008 and \$3.131 million in FY 2009. This fiscal note assumes the rental car tax will grow at the HJR 2 FY 2009 of 4.37% through FY 2011, resulting in collections of \$3.268 million in FY 2010 and \$3.411 million in FY 2011.
3. The proposed law would deposit these revenues in a special revenue account to the credit of the Department of Revenue (DOR). DOR may spend from that account based upon an expenditure appropriation for administering the collection and distribution of the taxes. The amount needed to collect and distribute these taxes is estimated by the DOR to be 2% of the revenues collected. The estimated costs are \$297,620 in FY 2008, \$312,700 in FY 2009, \$328,540 in FY 2010, and \$345,180 in FY 2011. Under current law these costs are paid by the general fund.
4. After the reimbursement to the DOR, under the proposed legislation the remaining revenue from the 3% accommodations sales tax and the 4% rental car tax collections, is distributed to departments according to the following percentages:
 - 1.565% to the Montana Historical Society;
 - 0.09% to the Montana Travel Research Program;
 - 0.15% to the Department of Fish, Wildlife, and Parks;
 - 21.635% to the Department of Commerce plus \$125,000 annually for statewide tourism promotion; regional nonprofit tourism; corporations and nonprofit convention and visitors bureaus; tribal tourism promotion and Montana Heritage Preservation and Development Commission;
 - 1.357% to the Capitol Art Preservation Trust; and
 - all remaining proceeds will be deposited into the state general fund.
5. The table below summarizes the proposed distribution of the 3% sales tax on accommodations and the 4% rental car tax.

Summary of Current General Fund Amounts and Proposed Distribution of Funds					
		FY 2008	FY 2009	FY 2010	FY 2011
3% Accommodations Sales Tax		\$11,881,000	\$12,504,000	\$13,159,000	\$13,848,000
4% Car Rental Sales Tax		\$3,000,000	\$3,131,000	\$3,268,000	\$3,411,000
Total Sales Tax Revenue		\$14,881,000	\$15,635,000	\$16,427,000	\$17,259,000
Department of Revenue Expenses	2.00%	\$297,620	\$312,700	\$328,540	\$345,180
Balance after DOR Expenses		\$14,583,380	\$15,322,300	\$16,098,460	\$16,913,820
<u>Department Allocations</u>	<u>SB 284 %</u>				
MT Historical Society 22-3-1, MCA	0.660%	\$96,250	\$101,127	\$106,250	\$111,631
University System	0.090%	\$13,125	\$13,790	\$14,489	\$15,222
Fish Wildlife and Parks	0.150%	\$21,875	\$22,983	\$24,148	\$25,371
Commerce MT Promotion Division	14.155%	\$2,064,277	\$2,168,872	\$2,278,737	\$2,394,151
Commerce MT Heritage Commission	0.880%	\$128,334	\$134,836	\$141,666	\$148,842
Cultural Trust	1.357%	\$197,896	\$207,924	\$218,456	\$229,521
MT Historical Society Heritage Property	0.905%	\$131,980	\$138,667	\$145,691	\$153,070
Commerce Tribal Tourism	0.720%	\$105,000	\$110,321	\$115,909	\$121,780
Commerce Regions & CVB's	5.880%	\$857,503	\$900,951	\$946,589	\$994,533
Commerce Regions & CVB's	-	\$125,000	\$125,000	\$125,000	\$125,000
Total Department Allocations		\$3,741,241	\$3,924,471	\$4,116,935	\$4,319,120
Remainder - General Fund		\$10,842,139	\$11,397,829	\$11,981,525	\$12,594,700

6. Under current law, these collections are deposited into the general fund. The general fund will no longer receive a portion of these collections under the proposed legislation; therefore the fiscal impact of this

legislation to the general fund will be reduced revenue of \$3.741 million in FY 2008; \$3.924 million in FY 2009; \$4.117 million in FY 2010; and \$4.319 million in FY 2011.

7. Approval of marketing plans by the Tourism Advisory Council for the nonprofit regional tourism corporations and the convention and visitors bureaus would be accomplished with existing personnel in the Montana Promotion Division in the Department of Commerce.
8. The additional funding to the regional nonprofit tourism corporations is to be used to support cultural and heritage tourism or for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
9. The nonprofit convention and visitor's bureaus do not have the same restriction on their use of the funds as the regional nonprofit tourism corporations.
10. For the purposes of this fiscal note it is assumed the redirected revenues would be deposited in existing state special revenue accounts.
11. The cultural trust earns interest that is appropriated for cultural and aesthetic projects. The increase in the balance of the cultural trust increases the interest earnings for projects. The interest earnings were calculated using interest rates adopted in HJR 2 for FY 2008 and FY 2009 and interest rates from OBPP for FY 2010 and FY 2011. Interest earnings are projected to be \$10,967 in FY 2008, \$22,532 in FY 2009, \$34,585 in FY 2010, and \$46,361 in FY 2011. Interest earnings are transferred from the trust fund to a state special revenue fund.
12. As amended, SB 284 allocates 0.91% of the projected revenue to the Montana Heritage Preservation and Development Commission. The commission is currently funded by a statutory appropriation under 22-3-1004, MCA.
13. This fiscal note does not show the transfer activity that would be needed from the new state special revenue account in 15-68-501, MCA to the various state special revenue funds at each agency and the funds flowing back to the general fund from this new account. Showing "transfer activity" would double all of the expenditure activity.
14. Section 22-3-1004, MCA, requires analysis of the statutory appropriation to be published in the fiscal note for SB 284. The guidelines and analysis are as follows:
 - a. The fund or use requires an appropriation.
State special revenue funds require appropriation.
 - b. The money is not from a continuing, reliable, and estimable source.
The accommodations tax and the rental car tax are a continuing, reliable, and estimable source.
 - c. The use of the appropriation or the expenditure occurrence is not predictable and reliable.
The expenditures for the Montana heritage preservation and development account in 22-3-1004, MCA, are reasonably predictable and reliable.
 - d. The authority does not exist elsewhere.
No.
 - e. An alternative appropriation method is not available, practical, or effective.
The fund could be appropriated in HB 2.
 - f. Other than for emergency purposes, it does not appropriate money from the state general fund.
This is a statutory appropriation from accommodations tax and rental car tax, not the general fund.
 - g. The money is dedicated for a specific use.
Yes, uses are defined in 22-3-1004(2), MCA.
 - h. The legislature wishes the activity to be funded on a continual basis.
Yes.
 - i. When feasible, an expenditure cap and sunset date are included.
No sunset exists for the statutory appropriation.

Department of Commerce

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$2,192,611	\$2,303,708	\$2,420,403	\$2,542,993
Local Assistance	\$1,087,503	\$1,136,272	\$1,187,498	\$1,241,313
TOTAL Expenditures	\$3,280,114	\$3,439,980	\$3,607,901	\$3,784,306
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$3,280,114	\$3,439,980	\$3,607,901	\$3,784,306
TOTAL Funding of Exp.	\$3,280,114	\$3,439,980	\$3,607,901	\$3,784,306
<u>Revenues:</u>				
State Special Revenue (02)	\$3,280,114	\$3,439,980	\$3,607,901	\$3,784,306
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Montana Historical Society

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$96,250	\$101,127	\$106,250	\$111,631
Grants	\$131,980	\$138,667	\$145,691	\$153,070
TOTAL Expenditures	\$228,230	\$239,794	\$251,941	\$264,701
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$228,230	\$239,794	\$251,941	\$264,701
TOTAL Funding of Exp.	\$228,230	\$239,794	\$251,941	\$264,701
<u>Revenues:</u>				
State Special Revenue (02)	\$228,230	\$239,794	\$251,941	\$264,701
TOTAL Revenues	\$228,230	\$239,794	\$251,941	\$264,701
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Department of Fish, Wildlife and Parks

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$21,875	\$22,983	\$24,148	\$25,371
TOTAL Expenditures	\$21,875	\$22,983	\$24,148	\$25,371
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$21,875	\$22,983	\$24,148	\$25,371
TOTAL Funding of Exp.	\$21,875	\$22,983	\$24,148	\$25,371
<u>Revenues:</u>				
State Special Revenue (02)	\$21,875	\$22,983	\$24,148	\$25,371
TOTAL Revenues	\$21,875	\$22,983	\$24,148	\$25,371
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Office of the Commissioner of Higher Education

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Transfers	\$13,125	\$13,790	\$14,489	\$15,222
TOTAL Expenditures	\$13,125	\$13,790	\$14,489	\$15,222
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$13,125	\$13,790	\$14,489	\$15,222
TOTAL Funding of Exp.	\$13,125	\$13,790	\$14,489	\$15,222
<u>Revenues:</u>				
State Special Revenue (02)	\$13,125	\$13,790	\$14,489	\$15,222
TOTAL Revenues	\$13,125	\$13,790	\$14,489	\$15,222
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Montana Arts Council

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Grants (HB 9)	\$10,967	\$22,532	\$34,585	\$46,361
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$10,967	\$22,532	\$34,585	\$46,361
<u>Revenues:</u>				
State Special Revenue (02)	\$10,967	\$22,532	\$34,585	\$46,361
Trust Fund (09)	\$197,896	\$207,924	\$218,456	\$229,521
TOTAL Revenues	\$208,863	\$230,456	\$253,041	\$275,882
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$0	\$0	\$0	\$0

Department of Revenue

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$0	\$0	\$0
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01) (Admin)	(\$297,620)	(\$312,700)	(\$328,540)	(\$345,180)
State Special Revenue (02) (Admin)	\$297,620	\$312,700	\$328,540	\$345,180
TOTAL Funding of Exp.	\$0	\$0	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	(\$3,741,241)	(\$3,924,471)	(\$4,116,935)	(\$4,319,120)
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Revenues	(\$3,741,241)	(\$3,924,471)	(\$4,116,935)	(\$4,319,120)

Summary

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures</u>				
Operating Expenses	\$2,310,736	\$2,427,818	\$2,550,801	\$2,679,995
Local Assistance	\$1,087,503	\$1,136,272	\$1,187,498	\$1,241,313
Grants	\$142,947	\$161,199	\$180,276	\$199,431
Transfers	\$13,125	\$13,790	\$14,489	\$15,222
TOTAL Expenditures	<u>\$3,554,311</u>	<u>\$3,739,079</u>	<u>\$3,933,064</u>	<u>\$4,291,875</u>

Funding of Expenditures

State Special Revenue (02)	\$3,554,311	\$3,739,079	\$3,933,064	\$4,291,875
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Revenues

General Fund (01)	(\$3,741,241)	(\$3,924,471)	(\$4,116,935)	(\$4,319,120)
State Special Revenue (02)	\$3,554,311	\$3,739,079	\$3,933,064	\$4,291,875
Trust Fund (09)	\$197,896	\$207,924	\$218,456	\$229,521
TOTAL Revenues	<u>\$10,966</u>	<u>\$22,532</u>	<u>\$34,585</u>	<u>\$202,276</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$3,741,241)	(\$3,924,471)	(\$4,116,935)	(\$4,319,120)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Effect on County or Other Local Revenues or Expenditures:

- The proposed legislation distributes \$125,000 annually plus 5.88% annually of the accommodations tax and car rental revenues to the Department of Commerce for the six local nonprofit regional tourism corporations and eleven convention and visitor bureaus. This amount is included in the distribution to the Department of Commerce shown in the table in assumption 5. The amount distributed to regional, county, or local non-profit entities will be approximately \$0.983 million in FY 2008; \$1.026 million in FY 2009; \$1.072 million in FY 2010; and \$1.120 million in FY 2011.

Technical Notes:

- This bill allocates revenue to one state special revenue account. The bill does not address how the remaining money, after Department of Revenue administrative costs, gets transferred to 10 various presumed state special revenue accounts or to the general fund. A suggested language as follows.
 - Page 1, line 29 The remaining money in the account is ~~allocated~~ transferred to the following accounts as follows:

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date